DP/1999/CRP.1
2 December 1998

ORIGINAL: ENGLISH

First regular session 1999
25-29 January 1999, New York
Item 1 of the provisional agenda

DRAFT WORK PLAN FOR THE EXECUTIVE BOARD IN 1999

INTRODUCTION

1. The present document contains a draft work plan for the UNDP/UNFPA Executive Board work during 1999. It includes an outline of priority issues for both UNDP and UNFPA with an initial indication of the session at which the issues may be considered by the Board, taking into account any relevant prior decisions as well as the Board's request to focus deliberations at each session.

2. In accordance with decision 96/25, this draft work plan was presented to the Executive Board at the third regular session 1998. The Board took note of the work plan without comment. It has since been revised to reflect decisions taken by the Board at that session, in particular decisions 98/19 on successor programming arrangements for UNDP; 98/22 on UNFPA multi-bilateral trust fund arrangements; and 98/23 and 98/24 on funding strategies for UNDP and UNFPA, respectively. It is being submitted to the Executive Board for adoption at the first regular session 1999.

Annex 1

UNDP PRIORITY ISSUES FOR 1999

ISSUE	FOLLOW-UP	REPORT TYPE	SESSION
A. Increase resource base and put UNDP funding on a predictable, assured and continuous basis	Establish framework for implementing the funding strategy adopted at third regular session 1998	CRP Official	First Annual
B. Improve UNDP profile and image	Develop and implement plan of action for information and communication: • Presentation on key areas of communication needs • Plan of action to implement the key areas	 Oral Official	 First Annual
C. Improve programme quality and assess results	Review of country cooperation frameworks and analysis of lessons learned in order to improve programming	Official	Third
	Follow-up to decision on review of successor programming arrangements	CRP	First
	Continued application of guiding principles on narrowing the focus of UNDP	Official (in context of new country cooperation frameworks)	Regular sessions
	Strategic evaluations on the programme approach and on the reintegration of displaced persons in countries faced with emergency situations	Official	Annual

* **To be determined at the third regular session.**

ISSUE	FOLLOW-UP	REPORT TYPE	SESSION
D. Implementation of major decisions of UNDP 2001	Develop mechanism for monitoring and assessing results of implementation of major policy decisions	CRP Official	First Annual
E. Continue UNDP support for United Nations reform	Contribute to greater effectiveness and efficiency of the resident coordinator system		
	Strengthen field-level coherence of United Nations presence, including United Nations Development Assistance Framework (UNDAF) and harmonization of programmes and expansion of common premises and services	Official	Annual
	Strengthen partnerships with other development partners, including with other United Nations development organizations and the Bretton Woods institutions		

Annex 2

UNFPA PRIORITY ISSUES FOR 1999

ISSUE	FOLLOW-UP	REPORT TYPE	SESSION
A. Increase resource base and put UNFPA funding on a predictable, assured and continuous basis	Establish framework for implementing the funding strategy adopted at the third regular session 1998	CRP/Official Official	Second Annual a/
B. Improve programme quality and measure results	Strengthen link between programme inputs and outputs through logframe analysis in country and intercountry programmes	Official a/	Annual
	Standardize reporting procedures on indicators of International Conference on Population and Development (ICPD) goals	Official a/	Annual
	Increase number of external evaluations and produce syntheses of results	Official a/	Annual
C. Sharpen focus on key programme areas	Target assistance within countries and focus assistance on specific areas where UNFPA has comparative advantage	Official b/	Annual
	Intensify information, communication and advocacy activities	Oral	Annual
	Reassess the Technical Support Services system and develop future options for enhancing the system	Official Official	Second Third
D. Strengthen internal oversight, audit and accountability	Increase quality and coverage of management audits and ensure follow-up of recommendations for all oversight mechanisms	Official	Annual

ISSUE	FOLLOW-UP	REPORT TYPE	SESSION
E. Conclude preparations for ICPD+5 and follow-up on outcomes	Report on outcomes of roundtables, technical meetings and The Hague Forum	CRP	Second
	Report on outcomes of the Special session of the General Assembly and implications of ICPD+5 for UNFPA programme priorities Take advantage of momentum of ICPD+5 process and outcomes to refocus attention on issues raised in the ICPD Programme of Action and to reaffirm commitments made at Cairo, including on funding	CRP	Third
F. Continue UNFPA support for United Nations reform	Participate actively at the country level in the resident coordinator system, including implementation of the common country assessment, country strategy note and UNDAF and other such mechanisms and measures	Official a/	Annual
	Continue collaboration to improve common premises and services		
	Continue active participation in UNDG and its executive and other committees		
	Promote ways to streamline the work of the UNDG so as to lighten the burden on UNFPA field offices		

a/ Reported on in the context of the annual report
b/ Reflected in country programmes and in the annual report

EXECUTIVE BOARD OF UNDP/UNFPA
DRAFT WORK PLAN 1999

Table 1. First regular session 1999 (25-29 January 1999)

(5 working days)

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
1				ORGANIZATIONAL MATTERS
		A		Election of the Bureau for 1999
	Official (DP/1999/L.1)	A		Provisional agenda, annotations, list of documents
	Official	I		Report on the third regular session 1998
			½ day	
	Official	I		Decisions adopted by the Executive Board in 1998
	CRP	A		Annual work plan 1999 for UNDP/UNFPA Executive Board (96/25)
				JOINT UNDP/UNFPA SEGMENT
2				FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS
	Official	I	½ day	Updated overview of implementation of recommendations of the Board of Auditors (97/2 and 97/3)

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
				UNDP SEGMENT
3				UNDP 2001
	CRP	I		Progress report on implementation of change management (97/15)
4			1 day	COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS
	CRP	A		Follow-up to decision 98/19 on successor programming arrangements
	Official	A		Country cooperation frameworks
5				INFORMATION AND COMMUNICATION STRATEGY
	Oral	I	½ day	Presentation on key areas of communication needs (98/15)
6				SPECIAL FUNDS AND PROGRAMMES
	Official	I	½ day	Reports on activities of the Global Environment Facility, the Montreal Protocol, the Office to Combat Desertification and Drought and the United Nations Revolving Fund for Natural Resources Exploration (92/2)
7				RESOURCE MOBILIZATION
	CRP	I	½ day	Follow-up to decision 98/23 on UNDP funding strategy
8				FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS
	Official	A	½ day	Report on UNDP financial risk management

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
9				FIELD VISITS
	CRP	I		Reports on field visits 1998
				UNFPA SEGMENT
10			½ day	COUNTRY PROGRAMMES AND RELATED MATTERS
	Official	A		Country programmes
11				OTHER MATTERS
	Oral	I		Coordinating Committee on Health
				JOINT MEETING OF THE UNDP/UNFPA AND UNICEF EXECUTIVE BOARDS
12		I	½ day	"Major areas of concerted action for 1999"

Abbreviations: A = action; CRP = conference room paper; I = information.

* With participation of the Bureau of the Executive Board of the World Food Programme.

Table 2. Second regular session 1999 (5-9 April 1999)

(5 working days)

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
1				ORGANIZATIONAL MATTERS
	Official (DP/1999/L.2)	A		Provisional agenda, annotations, list of documents
	Official	A		Report on the first regular session 1999
	Official	I		Decisions adopted by the Executive Board at its first regular session 1999
			½ day	
				JOINT UNDP/UNFPA SEGMENT
2	Official	A		REPORTS TO THE ECONOMIC AND SOCIAL COUNCIL
3				COMMON PREMISES AND SERVICES
	CRP	I		Progress report
4			½ day	STATEMENTS ON FUNDING COMMITMENTS TO UNDP AND UNFPA
				UNFPA SEGMENT
5	Official	A	½ day	COUNTRY PROGRAMMES AND RELATED MATTERS
6				TECHNICAL SUPPORT SERVICES
	Official	I	½ day	Progress report on the effectiveness of improvements in the operation of the Technical Support Services system (98/6)

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
7	Official	I	½ day	SECTOR-WIDE APPROACHES
8				ICPD+5
	CRP	I	½ day	Progress report on ICPD+5 process, including the outcome of The Hague International Forum
9				RESOURCE MOBILIZATION
	CRP	I	½ day	Follow-up to decision 98/24 on UNFPA funding strategy
10				EMERGENCY ASSISTANCE
	CRP	I	½ day	UNFPA assistance in emergency situations
				UNDP SEGMENT
11				COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS
	Official	A	½ day	Country cooperation frameworks
12			½ day	OTHER MATTERS

Abbreviations: A = action; CRP = conference room paper; I = information.

Table 3. Annual session 1999 (14-25 June 1999)

(10 working days)

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
1				ORGANIZATIONAL MATTERS
	Official (DP/1999/L.3)	A		Provisional agenda, annotations, list of documents
	Official	A	½ day	Report on the second regular session 1999
	Official	I		Decisions adopted by the Executive Board at its second regular session 1999
				UNDP SEGMENT
			½ day	SPECIAL EVENT
2				ANNUAL REPORT OF THE ADMINISTRATOR
	Official	I/A	1½ days	Introduction, including review of non-core resources (98/2) and progress report on UNDP 2001 (97/15)
	Official	I/A		Programme records, including United Nations System-wide Special Initiative for Africa and Programme of Assistance to the Palestinian People
	Official	A		Special funds and programmes
	Official	I		Joint Inspection Unit
	Official	I		Statistical annexes
3	Official	I/A	½ day	EVALUATION

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
4				COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS
	Oral	I	½ day	Assistance to Myanmar - annual report on implementing the Human Development Initiative (98/14)
5				INFORMATION AND COMMUNICATION STRATEGY
	Official	A	½ day	Plan of action to implement key areas identified at the first regular session 1999 (98/15)
6				RESOURCE MOBILIZATION
			½ day	Follow-up to decision on UNDP funding strategy (98/23)
7				TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES (92/2)
	Official	I	½ day	Follow-up to decision 92/2
	Official	I		Report of the High-Level Meeting on TCDC
8	Official	I	½ day	FOLLOW-UP TO UNITED NATIONS REFORM
9				UNITED NATIONS OFFICE FOR PROJECT SERVICES
	Official	A	½ day	Annual report
				Follow-up to decision 97/23
				JOINT UNDP/UNFPA SEGMENT
10			½ day	UNAIDS
11	Official	I		INTERNAL AUDIT AND OVERSIGHT

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
				UNFPA SEGMENT
12				REPORT OF THE EXECUTIVE DIRECTOR FOR 1998
	Official	I	1½ days	Introduction by the Executive Director
	Official	I		Programme priorities
	Official	I		Resource mobilization
	Official	I		Global Contraceptive Commodity Programme/Global Initiative on Contraceptive Requirements
	Official	I		Regional overview
	Official	I		Statistical annex
13	Official	A		WORK PLAN AND REQUEST FOR PROGRAMME EXPENDITURE AUTHORITY
14			1½ days	INFORMATION AND COMMUNICATION STRATEGY
	Oral	I		Implementation of decision 97/13
15				OTHER MATTERS
	Oral	I	½ day	Report on World Trade Organization initiative for least developed countries

Abbreviations: A = action; CRP = conference room paper; and I = information.

Table 4. Third regular session 1999 (13-17 September 1999)
(5 working days)

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
1				ORGANIZATIONAL MATTERS
	Official (DP/1999/L.4)	A		Provisional agenda, annotations, list of documents
	Official	A		Report on the annual session 1999
	Official	I	½ day	Decisions adopted by the Executive Board at its annual session 1999
	CRP	I		Outline for Executive Board work plan 2000
				UNDP SEGMENT
2				COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS
	Official	I		Review of country cooperation frameworks
3				FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS
	Official	I		Annual review of the financial situation 1998
	Official	A	1 day	Report on multi-year funding framework and Biennial budget 2000-2001
	Official	I		Activities of the Inter-Agency Procurement Services Office
	Official	I		Subcontracts awarded and major equipment ordered
	Official	A		Review and revision of UNDP Financial Regulations

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
4				SPECIAL FUNDS AND PROGRAMMES
	Official	I	½ day	United Nations Capital Development Fund (97/8)
5				UNITED NATIONS OFFICE FOR PROJECT SERVICES
	Official	A	½ day	Budget estimates for the next biennium (97/22)
	Official	A		Risk management, reserves and surplus income (97/21)
6				**UNFPA SEGMENT**
				FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS
	Official	A	1 day	Biennial support budget, 2000-2001
	Official	I		Annual financial review, 1998
				Report on administrative and operational support costs for multi-bilateral arrangements (98/22)
7				TECHNICAL SUPPORT SERVICES
	Official	A	½ day	Proposals for future options for providing specialist support and advice to country support teams and country programmes (98/6)
8				COUNTRY PROGRAMMES AND RELATED MATTERS
	Official	A	½ day	Country programmes and intercountry programmes

Item No.	Nature of report	Action/ Information	Time allotted	Item and subject
9				ICPD+5
	CRP	I	½ day	Implications of outcomes
10				OTHER MATTERS
	CRP	I		Reports on field visits for 1999

Abbreviations: A = action; CRP = conference room paper; and I = information.

DP/1999/CRP.2
7 December 1998

ORIGINAL: ENGLISH

EXECUTIVE BOARD OF THE UNITED
NATIONS DEVELOPMENT PROGRAMME
AND OF THE UNITED NATIONS
POPULATION FUND
First regular session 1999
25-29 January 1999, New York
Item 3 of the provisional agenda

UNDP 2001

PROGRESS REPORT ON THE IMPLEMENTATION OF CHANGE MANAGEMENT

INTRODUCTION

1. Pursuant to Executive Board decision 97/15, the present conference room paper reports on the progress of key change initiatives approved in that decision. Document DP/1998/CRP.8 provided information up to June 1998; the present paper covers the period since then. The challenge of sustaining the efforts made so far in implementing the UNDP 2001 decisions - and the lessons learned after more than a year - are the main focus of the report. It focuses on key aspects of the change agenda and covers the salient features of change decisions that have wide-ranging implications for the effectiveness of UNDP in the delivery of its services and products.

2. Throughout 1998, UNDP continued its efforts to secure a realignment of the organization's structure and systems in response to the changed realities of its external environment. UNDP 2001 moved forward the organization's main goals by pursuing a policy of decentralization and greater devolution of responsibility and accountability to country offices. As noted in the previous reports, UNDP has also instituted a system in which annual strategic planning goals are established through a consultative process and then enforced through compacts signed by the Administrator and senior managers. In these compacts, UNDP 2001 decisions have been incorporated for action and follow-up, where necessary.

3. A brief account of the main achievements accomplished in 1998 and lessons learned and challenges ahead are highlighted in the following four key areas:

(a) Decentralization and empowerment of country offices through policy support and tools;

(b) Building capacity in organizational learning;

(c) Re-engineering, enhanced efficiency and accountability;

(d) Management of change.

An integral part of the UNDP 2001 vision is to reposition the organization within the United Nations system. Through the United Nations Development Group Office (UNDGO), UNDP is continuing actively to promote the Secretary-General's reform agenda. Since these matters are reported on separately, the present report does not cover them fully.

I. DECENTRALIZATION AND EMPOWERMENT OF COUNTRY OFFICES

4. The principal aim of UNDP 2001 is to complete the transformation of the organization into a decentralized, field-based body capable of working with programme countries in its mandated areas with effectiveness and speed. Three major policy directions, being pursued in support of this aim, are shaping the UNDP decentralization process: (a) a greater responsibility at the country level; (b) improved human resource capacities; and (c) improved management tools for decentralized decision-making.

5. UNDP is continuing to fine-tune its human resource function so that it ensures state-of-the-art human resource policy that supports a decentralized structure and empowers country offices. Five notable policy initiatives were approved and launched in 1998: the national staff career-management policy; the gender-balance and management policy; a framework for action for learning in support of staff development; the staffing of countries in crisis; and the development of competency-based approaches to staffing. The national staff policy, the first of its kind in the organization, reflects UNDP recognition of its vast pool of national staff who are central to the ability of the organization to deliver the 2001 agenda worldwide. The policy presents a framework regarding the optimal management of national staff and how they might develop their knowledge and competencies, thus contributing to their career progression. The first phase of the implementation of the national staff policy was completed by November 1998. During this phase, focal points were designated to support implementation. Seven national staff (one from Africa, one from Asia, two from Arab States, one from Latin America and two from Europe) were selected through a competency-assessment programme to be future Operation Managers. Ten national staff were selected to act as trainers in accounting in country offices.

6. The gender-management policy is designed to provide a framework that will enable the organization to continue to increase the ratio of women staff both at the management and operational levels. The target ratio of a minimum of four women to six men by the year 2001 will be feasible. At this time, 47.8 per cent of staff at the operational level are women. At the management level, the current figure stands at 25 per cent. The number of women resident

representatives has increased from 26 in 1997 to 31 (including designates) in 1998. UNDP met its target in this respect. At headquarters, 33 per cent of the senior managers are women. In 1998, women accounted for 34 percent of holders of contracts for activities of limited duration (ALD).

7. The staffing of UNDP offices in countries in crisis provides a set of fast-track mechanisms for mobilizing and deploying competent UNDP staff and recruiting emergency personnel. The Regional Bureau for Africa has created the Special Team on Africa Recovery, headed by a Special Adviser, which provides one-stop response to support the offices in countries in special emergency situations in the Africa region. The special team will also intensify UNDP relationships with other key entities for these countries, both within the United Nations system and in the wider international communities.

8. During the reporting period, 15 headquarters posts have been delegated to the country operation level to support the implementation of subregional resource facilities (SURFs). While it appears unlikely that major new core resources can be shifted to the country offices during the current biennium, the issue of the relationship of resources in headquarters and country offices is being reviewed in the context of the UNDP budget exercise for the 2000-2001 biennium.

9. Appointments of personnel under project-financed posts at headquarters are being strongly discouraged by strengthening screening and approval procedures. Where feasible, current headquarters-based project funded posts as well as posts under ALD arrangements will be subject to redeployment to the country offices. This will continue to remain under review throughout 1999. At headquarters, specific measures were taken to limit the provision of junior professional officers (JPOs) to a maximum of 20; they exceeded 32 in past years.

10. With respect to management tools, in addition to the national execution guidelines, issued earlier in 1998, two new tools were approved by the Executive Committee: (a) guidelines for collaboration with the private sector and (b) decentralized cost-sharing agreements. With these newly delegated authorities, UNDP country office staff are now better equipped to seek and exercise wider management responsibility on strategic partnerships at the country level. Close monitoring of the use of these tools will be required at the central service levels during the start-up phase to ensure that country offices can receive guidance and support when needed. Two other tools, the programme manual and the finance manual, have also been finalized. Details on the status of these manuals are provided in paragraph 18 of the present report.

11. The central capacity of UNDP to provide speedy support to countries in crisis has been strengthened with the establishment of the Emergency Response Division (ERD), under the overall authority of the Associate Administrator, and more recently with the creation of a Disaster Management Programme in Geneva, which is responsible for supporting the disaster preparedness, mitigation and recovery functions in countries at risk of natural disasters. In 1998, ERD initiated and undertook a comprehensive programme in mine-action capacity-building in support to the country offices in mine-affected countries. Through this initiative, UNDP is assisting with regard to the socio-economic consequences of landmine contamination.

II. BUILDING CAPACITY IN ORGANIZATIONAL LEARNING

12. The importance of learning and the management of knowledge was recognized as a key element of UNDP reform initiatives. The main challenge to UNDP has been to integrate this new dimension into the culture and mainstream work of its staff. UNDP has made some progress in this respect, albeit slow. There were, for example, initial difficulties in fully operationalizing the SURF initiative (see document DP/1998/CRP.8), one of the key aspects of the organization's approach to the management of knowledge.

13. As part of UNDP decentralization efforts, the SURF system serves as a channel to connect the substantive elements of UNDP country offices, regional resources, headquarters units, and international resources. The country offices represent the system's clients, who rely on it as a "one-stop-shop" for the expertise and information needed to respond to pressing substantive needs. The SURFs provide the country offices with technical support on a demand-driven basis and link them to regional knowledge bases and specialists. The global hub and the regional SURFs have completed the initial phase of recruiting staff. Except for the SURF in the Caribbean region, all others are currently in operation. One of the main concerns of UNDP in 1999 will be to develop ways to measure the impact of the SURF system on the effectiveness of the country office work and to build on user feedback.

14. Progress in the use of information technology has opened up vast opportunities to help to transform UNDP into a learning organization where information is freely shared and decisions are based on best available knowledge. Increase in Internet and intranet connectivity in the past two years has already laid the building blocks to transform UNDP into a learning organization. Recognizing, however, that the organization could have moved faster to maximize the advantages offered by technological innovations, UNDP will give vigorous managerial attention to speed up the process.

15. As noted in paragraph 5, UNDP formally shifted its approach from selective training for a few staff members to an environment of continuous learning for all staff. The framework for action for learning in support of staff development, implementation of which began in August 1998 sets some of the parameters for this transition. It recognizes the importance of creating an organizational environment in which every staff member's learning activities count and contribute to the success of UNDP. To support staff in their efforts for self-directed learning, the framework provides a flexible minimum of 5 per cent of staff time for learning. UNDP has decided to encourage the voluntary use of staff time for learning in order to ensure that its work force remains skilled and adaptable to new demands. With a clear focus on individual learning, the framework outlines a number of innovative mechanisms geared towards supporting organizational learning in UNDP, including: computer-based learning; multi-media modules; structured self-study; group learning; exposure to best practices; and organized courses. Key steps to support the framework include the development of a learning managers' network at the country level; the development of a tool kit for use by the learning managers; further decentralization of the budget for learning; the establishment of an electronic platform for learning; and the building of a learning alliance with external institutions. The success of the framework depends significantly on country

office response to the opportunities it offers and the ready acceptance by staff of a culture shift towards learning.

16. The shift to the new learning culture, in which the participation of the whole organization is a key factor, seems to be taking much longer than was anticipated. A great deal of debate focused on the in-house conceptualization of learning and knowledge management issues and the need for clarity. The creation of a learning organization represents a deep-rooted cultural change. It involves all parts of organization and therefore is a time-consuming experience. In view of the fact that several headquarters units have management and substantive responsibility in different aspects of learning and knowledge management (Bureau for Development Policy, the Evaluation Office and the Bureau for Programme and Resource Management (BPRM)), detailed monitoring arrangements for, and coordination of, these activities will have to be put in place.

III. RE-ENGINEERING, ENHANCED EFFICIENCY AND ACCOUNTABILITY

17. Efficiency enhancement remains a major concern of UNDP. Several approaches are being used to improve efficiency, including process simplification, delegation of authority, introduction of new systems and the use of technology. Throughout the year, simplification in programme, financial, operations management and personnel administration procedures have been pursued.

18. Integral parts of the change management for the enhancement of UNDP effectiveness in programme operations are improved tools to get the job done. The development of the ALD and Special Service Agreement (SSA) contracts are two such tools and detailed guidelines for their implementation were developed and approved. During 1998, a total of 65 country offices were given delegated authority with detailed guidelines to implement the ALD and SSA contracts.

19. One notable development with regard to programme operations was the completion of the new programming manual consistent with the principles of UNDP 2001 and results-based management. The final version of the manual will be ready for distribution in March 1999, thus enabling the incorporation of results-based reporting in sections. The finance manual, made available on-line in December 1998, will be ready for distribution in April 1999. The new manual will feature: a new structure aligned with new financial regulations; full consistency with other UNDP manuals; new procedures empowering country offices; and electronic access to a centrally maintained database.

20. UNDP has also taken major strides to build a new corporate culture of greater efficiency and accountability. Notable progress in this regard is the launching, in October 1998, of the control self-assessment-training programme. The pilot phase of the programme, which focuses on accountability, delegation, internal controls and risk assessment, will continue in 1999 with the participation of the Office of Audit and Management Review (OAPR), the Bureau for Financial and Administrative Services (BFAS), the Office of Human Resources (OHR), the Regional Bureau for Asia and the Pacific.

21. The full operationalization of the 1:7 supervision ratio has been achieved in BFAS and OAPR while in the other central service units this remains to be

implemented. As regards the five-day response policy, despite conscious efforts made by the individual headquarters units, the level of achievements varies. A client survey is being carried out by BPRM to ascertain country office views on the effectiveness of headquarters support to their needs and on how to enhance further the efficiency of services provided by headquarters. The results of the survey will be used as a basis for initiating further re-engineering efforts aimed at improving service quality.

22. The Office of Human Resources has undertaken a number of significant streamlining measures at headquarters to re-engineer business processes and to delegate tasks. The goal of further decentralization and enhancing country office empowerment has been the driving principle. An anticipated result of these measures will be speedier service. Noteworthy examples of the simplifications include: elimination of headquarters role in applying the special education grant and dependency allowance for local staff; fast track settlement of travel claims; elimination of the intermediary Office of Human Resources role in the medical clearance of national staff; delegation to the country office of the extension of contract beyond the mandatory retirement age for national staff; decentralization of the approval authority for home leave and education grant travel; medical evacuation; and dealings with the Pension Fund and Compensation Claims Board.

23. Systems improvement has been a major factor in the organization's activities to enhance efficiency. Full implementation of the Financial Information System (FIMS) global release is expected to start in the first quarter of 1999. The new country office accounting system (WinFOAS) will also be ready for use in the second quarter of 1999. For the first time in UNDP, the FIMS and WinFOAS will be working together, thus providing an improved tool for monitoring the use of financial resource at the country-office level. In addition, the establishment of Internet access to all staff at headquarters was completed in December 1998. So far, 125 country offices have access to Internet and 64 have Intranet connectivity. The Executive Information System (EIS) is expected to be in full use by early 1999. UNDP expects to see a leap forward in the systems improvement area in 1999.

IV. MANAGEMENT OF CHANGE

24. The Executive Board may recall that priority was given to the principle that change management practices had to be mainstreamed into the working business of the organization. Accordingly, UNDP integrated the main elements of the strategic plan for 1998, which focused mainly on the goals of UNDP 2001, into the compacts of all senior managers at the headquarters and the Resident Representatives in the country offices. The commitments made in the compacts were monitored and progress assessed by the Bureau Directors along with their colleagues in July and August 1998. The Administrator undertook a comprehensive review of the achievements of the compacts in November and December 1998.

25. The culture of participatory decision-making, in which corporate managers and senior managers from the country offices examine issues for policy-setting and prioritization of the work of the organization became an institutional norm. Throughout the year, the Change Implementation Committee and the Expanded

Executive Committee reviewed and contributed to decision-making on new initiatives emanating from the change agenda and on many other important policy matters.

26. In November 1998, UNDP senior managers reviewed the organizational work priorities for 1999 in a retreat at Mohonk. The retreat also provided an opportunity to examine in depth the emerging priority for UNDP to develop a new strategic framework that will enable the organization to report on results to the Executive Board.

27. In support of the change management process envisioned in Executive Board decision 94/14, a number of Governments have provided generous funding to UNDP to help it to carry out the needed reforms. Two areas were identified for use of the funds: (a) improving administrative procedures and managerial methods and (b) improving the management and the quality of the programme. As of 1998, 17 reform projects were implemented, of which 8 have been completed; those remaining are targeted for completion in 1999. They have contributed to the change process in three ways: (a) by developing management and programme tools aimed at the delegation of greater authority to country offices; by developing new strategies, methodologies, and quality control and monitoring mechanisms to improve the effectiveness and impact of programmes and by building essential structure and infrastructure to improve efficiency, accountability and management. New pledges to support the continuation of change activities have been received from donor members. These resources will be used to support activities in the following areas:

(a) Enhance UNDP capacity to respond to countries in crisis situations;

(b) Enhance efficiency in administration and financial management by streamlining procedures;

(c) Develop tools to enhance information management in the country offices;

(d) Enhance country office competencies through learning-based programmes;

(e) Improve management competencies through executive development programmes;

28. In its decision 98/23, the Executive Board decided that UNDP will adopt a framework more closely linking the organization's resources and the results of its activities; the decision has significant implications for UNDP work processes. With immediate effect, internal arrangements in programme planning, programme design, monitoring and analysis will therefore by driven by one key concern: accountability for results. In this way, UNDP will provide results of the highest quality to its clients and the best possible value for its donor countries. Early results are expected in 1999 as UNDP continues to overhaul its system and procedures to adapt to the new system.

29. A limited number of activities under the change agenda are moving relatively slowly. These are: ensuring a closer linkage between the country-based project team and the core team; issuance of the finance manual;

realignment of non-core with core resources; providing a one-stop-shop facility for the country office; and ensuring a five-day response as an organization-wide practice; and a more vigorous resource mobilization strategy and action plan with a wider donor base. UNDP will devote more attention to ensuring that implementation of all change management issues are on track.

30. Outreach of the change messages and dissemination of information of the progress on UNDP 2001 within and outside the organization constituted one of the core elements of the UNDP management approach to change. Throughout the year, BPRM, as the lead unit responsible for monitoring the overall implementation of change, carried out a series of outreach activities. Examples of these activities include: issuance of a resource guide on change; publication in English, French and Spanish of a brochure and poster, "UNDP 2001: Change Management"; setting-up of an intranet-based tracking system on the status of 2001 actions; monthly information provided to the country offices through the operations bulletin issued by the Operations Support Group; provision of resource services on change agenda in training events; and holding of town hall meetings and meetings with other headquarters units to promote key issues of change.

31. Through various in-house mechanisms (compact review, the Change Implementation Committee, the Executive Committee), UNDP maintains a constant review of the progress and problems in the implementation of change. It is planned that in the second half of 1999, UNDP will undertake a full assessment of the change process. This assessment is expected to provide an analysis of the overall outcomes of the change initiatives in relation to the goals of UNDP 2001.

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ADDITIONAL INFORMATION RELATING TO THE REVIEW OF THE SUCCESSOR PROGRAMMING ARRANGEMENTS

In its decision 98/19 of 23 September 1998, the Executive Board, inter alia, took note of the review of the successor programming arrangements (DP/1998/34); decided to apply the various financial parameters of decision 95/23 for the years 2000-2001; and reaffirmed the basic methodology for the distribution of resources described in paragraphs 21-26 of decision 95/23, with certain modifications from the year 2001.

In paragraph 12 of its decision 98/23 of 23 September 1998, the Executive Board decided that UNDP should develop a multi-year funding framework that, inter alia, would not introduce any conditionality nor result in distortions of priorities or changes in the current system of resource allocation. However, certain issues have arisen in applying the target for resource assignment from the core (TRAC) distribution methodology, which will require review by the Executive Board. These issues are outlined in chapter I of the present paper.

In paragraph 9 of its decision 98/19, the Executive Board requested the Administrator to submit at the first regular session 1999 a detailed analysis of the implications of the various scenarios outlined in paragraphs 91-97 of document DP/1998/34, including: (a) the full cost implications for both Governments and UNDP of maintaining offices in net contributor countries (NCCs), including the support provided by headquarters; and (b) the implications for the resident coordinator system and for the additional services relating to United Nations system representation provided by UNDP offices in NCCs. In paragraph 10 of the same decision, the Board requested an analysis of the proposal made in paragraph 96 of document DP/1998/34 to take NCCs out of the TRAC calculation model and manage and monitor this category as a separate group of programme countries; chapter II contains the information and analysis requested.

In paragraph 7 of its decision 98/19, the Executive Board requested the Administrator to examine ways to improve the flexibility in the allocations of TRAC-2 resources and in paragraph 8 of the same decision requested the Administrator to provide possible implications for programming arrangements resulting from the assessment of the pilot phase of the United Nations Development Assistance Framework (UNDAF). Chapter III responds to these requests.

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I. ISSUES RELATING TO THE RESOURCE DISTRIBUTION METHODOLOGY

A. Designation of a planning period

1. In view of the ongoing discussions on a UNDP funding strategy and the development of a multi-year (i.e., four-year) funding framework, it is recommended that the next programme planning period formally cover the four-year period 2000-2003. This would align programme planning with biennial support budget planning since the next two support budgets cover the periods 2000-2001 and 2002-2003. This alignment is also expected to facilitate the integration of programme resources and support budgets with the programme objectives and outcomes of the multi-year funding framework.

B. Updating basic data for the calculation of TRAC-1 earmarkings

2. As explained in document DP/1998/34 (paragraph 85 and annex IV), the TRAC distribution methodology approved by decision 95/23 and extended by decision 98/19 uses basic data on gross national product (GNP) per capita and population. Preliminary TRAC-1 calculations for the period 1997-1999 were finalized in early 1996 and used the latest basic data available at the time, which were for the base year 1994. The latest basic data available at present are for the base year 1997. According to earlier practices endorsed by the Executive Board, 1997 data would normally be used in the TRAC-1 calculations for the next programming period.

C. Designation of a period for the application of TRAC-1 calculations

3. Under the provisions of decision 95/23, the first period for the calculation of TRAC-1 earmarkings was 1997-1999. However, as noted in paragraph 1 of decision 98/19 and explained in paragraph 29 of document DP/1998/34, programme resources for the three-year period 1997-1999 had, on an exceptional basis, to be spread over a fourth year, 2000, such that no new resources were actually released for that year. Thus, the TRAC-1 earmarkings calculated under decision 95/23, in effect, cover the period 1997-2000. The Administrator, therefore, intends to apply updated TRAC-1 earmarkings to the three-year period 2001-2003.

D. Impact of new basic data on preliminary TRAC-1 calculations

4. UNDP programming strives to uphold the principle of progressivity in the allocation of resources to lower-income countries while at the same time preserving universality of access to UNDP cooperation. The application of these principles has resulted in a gradual reduction in the level of UNDP resources provided to countries that achieve higher levels of GNP per capita.

5. The use of 1997 basic data in the approved distribution model gives rise, however, to some anomalies and distortions, such that the decline in resources for middle-income countries is drastic rather than gradual. The main reason is that since 1994, the GNP per capita for several countries with a large TRAC-1 earmarking has risen above the $750 GNP per capita breakpoint that has been used since the fourth programming cycle (1987-1991) to delineate low- and middle-income countries. 1/

6. The shift of former low-income countries, with their substantial floor entitlements, into the middle-income group places considerable constraints on the distribution of the 12 per cent share of resources available to middle-income countries. Currently, the low-income countries moving into the middle-income group carry floor entitlements equal to almost 47 per cent of the total resources available to the middle-income group. As a result, the TRAC-1 floor entitlements of the middle-income group cannot be met under a $1.1 billion per year resource scenario.

E. Breakpoint between low- and middle-income countries

7. One way to deal with this issue is to adjust the $750 GNP per capita breakpoint that is presently used to delineate low- and middle-income countries in the calculation model. The breakpoint was last revised 13 years ago (decision 85/16) for the calculation of indicative planning figures (IPFs) for the fourth programming cycle (1987-1991). On that occasion, the threshold was raised by 50 per cent, from $500 to $750.

8. The adjustment was made to reflect inflation and the $750 figure was selected because it helped to ensure that the total number of countries assigned to the low- and middle-income groups did not vary drastically from the previous cycle. Thus, the resulting calculations did not produce an abrupt change in the relative allocation of country IPF resources between the two income groups.

9. Using the same rationale, and taking into account the problem that exists in accommodating the full floor provisions, it is proposed that the breakpoint be increased by 20 per cent, from $750 to $900. It should be noted that the $900 breakpoint only partially accommodates inflation since 1985. The current threshold of $750 would have to be more than doubled if it were to reflect the full magnitude of the median inflation rate for developing countries for the period 1986 through 1997. 2/

1/ The overall shifts resulting from the use of 1997 data are as follows: seven former low-income countries shift to the middle-income group; two former middle-income countries shift to the low income group; and four former middle-income countries become net contributor countries (at the existing NCC threshold of $4,700).

2/ This series of figures produced by the IMF/World Bank measures the average annual rate of price change in the economy as a whole in developing countries.

10. In order to avoid a drastic decline in resources for any group of countries and taking into account that a resource scenario of at least $1.33 billion per year would be needed to maintain the integrity of the current model without any alterations, the only remaining option would be to adjust the 88/12 split: a more realistic adjusted split could be in the range of 84/16.

11. On balance, the alternative of adjusting the breakpoint to $900, as recommended in the present paper, seems the most desirable for two reasons. The resulting calculations increase the focus on countries with the lowest income and LDCs. As shown in table 1, this arrangement increases the relative allocation for the poorest 35 countries from 59.2 per cent to 61.1 per cent, thereby enhancing the poverty focus of UNDP. At the same time, this alternative fully accommodates the floors of the middle-income group at an annual resource scenario of $1.1 billion, using currently available 1997 data. (Although 1997 data for 24 countries, mostly small island nations and high-income NCCs, are preliminary estimates, the inclusion of their final data should not have a notable effect on the final calculations).

F. Preliminary calculations of TRAC-1 earmarkings

12. As explained above, in paragraphs 1 and 3, while it is proposed that the next planning period cover the four-year period 2000-2003, the TRAC-1 calculations using 1997 basic data would apply only to the period 2001-2003. Therefore, the preliminary calculations of TRAC-1 earmarkings by income group and region presented in table 1 below would apply to the three-year period 2001-2003. The calculations are based on the following parameters:

(a) A $1.1 billion annual planning figure for core resources;

(b) 1997 (or latest available) basic data;

(c) A $900 breakpoint between low and middle-income countries;

(d) Maintenance of separate 88/12 per cent shares for the low- and middle-income groups and a 60 per cent share target for the LDC group;

(e) The incorporation of transfers to TRAC resources from 2001 approved in paragraphs 4 (a) and 5 (b) of decision 98/19;

(f) The inclusion of 60 per cent of the "other resources" that were allocated to countries in Europe and the Commonwealth of Independent States in the 1997-1999 TRAC-1 figures. The 40 per cent balance of "other resources" will be reflected in the TRAC-2 earmarking for the countries of the region;

(g) The treatment of NCCs as a separate group of countries outside the calculation model (see chapter II);

(h) As in past cycles, an amount of unallocated TRAC resources is set aside to meet reserve requirements (e.g., to adjust TRAC-1 earmarkings based on final data for the base year, or for any new participant countries). An initial TRAC-1 and 2 reserve of $30 million for the three-year period 2001-2003 was used in the calculations shown. 3/ As in previous cycles, any unused portion of the reserve would be fully allocated.

(i) All other criteria and parameters contained in paragraphs 21-26 of decision 95/23 remain the same, including full application of floor protection using existing thresholds and percentages and the application of existing weight coefficients and breakpoints for basic data.

13. Table 1 compares the preliminary distribution of TRAC-1 earmarkings and the number of countries (by region and by income group) for the two periods 2001-2003 and 1997-1999. For strict comparison of the two periods, it was necessary to adjust the 1997-1999 figures to account for the proposed treatment of NCCs outside the calculating model, and the inclusion of "other resources" for the countries in the Regional Bureau for Europe and Commonwealth of Independent States in the regional breakdown. (The distribution figures for the categories of countries in this period do not include the "other resources").

14. Differences in the number of countries by region and categories are attributable to changes in GNP, in particular the movement of four countries into NCC status at the current threshold of $4,700. With the exclusion of Hong Kong, the total number of countries covered in the 2001-2003 period becomes 174. Also, having satisfied the criteria for graduation from LDC status, Vanuatu is no longer included in that category for the 2001-2003 period.

3/ For the fifth cycle, the unallocated amount was $100 million for the 1992-1996 period (or $20 million per year); and $68 million (or about $13.5 million a year) for the fourth cycle. For the 1997-1999 period, $25 million was unallocated. An amount of $8.25 million of "other resources" for countries covered by the Regional Bureau for Europe and the Commonwealth of Independent States (RBEC) was, inter alia, financed from the 1997-1999 reserve.

Table 1. Preliminary calculations of TRAC-1 earmarkings: Percentage share distribution and number of countries by group and region

Regions (excluding NCCs)	No. of countries	1997-1999 Original percentage distribution	No. of countries	2001-2003 Preliminary percentage distribution
Africa	44	46.8%	44	48.0%
Asia and the Pacific	34	33.0%	34	30.6%
Arab States	12	7.6%	12	8.0%
Latin America and the Caribbean	28	6.3%	25	4.9%
Europe and the Commonwealth of Independent States	28	6.3%	27	8.5%
Total	146	100.0%	142	100.0%
Categories				
LDCs	51	60.3%	50	61.2%
Low-income countries	67	88.0%	69	88.0%
Low-income with GNP < $375	*35* a/	*59.2%*	*35*	*61.1%*
Middle-income countries	79	12.0%	73	12.0%
NCCs	29	N/A	32	N/A

a/ The number of countries in both cases is based on those which fall under $375 GNP per capita according to 1997 data.

II. NET CONTRIBUTOR COUNTRIES

A. Current arrangements for net contributor countries

15. Currently, once a country becomes an NCC (by crossing the existing $4,700 GNP per capita threshold), it receives a reimbursable TRAC-1 equivalent to 60 per cent of its earmarking in the previous period. 4/ This calculation has been part of the overall TRAC distribution model. An NCC continues to be eligible for a reimbursable TRAC-1 (calculated at 60 per cent of its previous earmarking) until its GNP per capita level exceeds $7,500.

16. At present, first-time NCCs also enjoy a three-year grace period on the reimbursability of TRAC-1, and during the initial period of the programming arrangements remain eligible, in principle, for TRAC-2 assignments based on programme quality. For the three-year grace period, first-time NCCs also continue to benefit from the local office cost (GLOC) waiver that applied during the previous programming period and thus do not yet have to meet the full amount of GLOC. Hence, the first three years function as a transition to full NCC status.

17. After the transition period, an NCC becomes responsible for 100 per cent of its GLOC. The reimbursable TRAC-1 is reduced to 60 per cent of its previous level (provided the GNP per capita level is still under $7,500) and the NCC is also no longer eligible for TRAC-2 assignments. The NCC must maintain an $8 million per year programme funded from non-UNDP sources in order for UNDP to provide a resident representative and a $12 million per year programme for the provision of a deputy resident representative as well.

B. Analysis of alternative thresholds for net contributor countries

18. Table 2, which is based on the same set of assumptions outlined in paragraph 15, compares the existing threshold of $4,700, and alternate thresholds of $5,400, $4,000, $3,500 and $3,000. As noted above in paragraph 15 (g) and (h), in generating TRAC scenarios for the next period, NCCs have been removed from the calculating model, which assumes that any NCC requirements would be met from the TRAC reserve.

19. By financing NCC requirements from the reserve, changes in NCC thresholds per se have no impact on the pool of resources available for the calculation of TRAC-1 earmarkings for middle-income countries. However, lower NCC thresholds do affect the middle-income group in that more countries move into NCC status leaving fewer middle-income countries to share the same 12 per cent of total TRAC-1 resources. The impact of alternate NCC thresholds on the use of the reserve would also vary correspondingly.

4/ At present there are two GNP per capita thresholds for NCCs: $4,700 separates the middle income and NCC groups of countries, and $7500 is the level beyond which no TRAC is calculated.

Table 2. Impact of alternate NCC thresholds for the period 2001-2003: Number of countries affected and annual TRAC requirements
(in millions of US dollars)

1997 GNP per capita threshold for NCC status	Prospective new NCCs to which three-year grace period would apply		Existing NCCs for which reimbursable TRAC-1 is calculated		Existing NCCs ineligible for reimbursable TRAC-1		Totals	
	No. of countries	TRAC-1	No. of countries	TRAC-1	No. of countries	TRAC-1	No. of countries (Cols. 1+3+5)	TRAC-1 annualized (Cols. 2+4+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$5,400 and above	1	0.167	8	0.238	19	N/A	28	0.405
$4,700 and above	4	1.109	9	0.246	19	N/A	32	1.355
$4,000 and above	10	1.735	9	0.246	19	N/A	38	1.981
$3,500 and above	15	2.576	9	0.246	19	N/A	43	2.822
$3,000 and above	24	4.858	9	0.246	19	N/A	52	5.104

C. Managing net contributor countries as a separate group of programme countries

20. Managing NCCs as a separate group of countries would require a set of interrelated changes:

(a) The calculation of NCC requirements outside the distribution model, including possible elimination of reimbursable TRAC (as discussed below); and

(b) Revised resource planning and management arrangements to facilitate reporting to the Executive Board on the overall cost implications of NCC participation in UNDP programming.

Calculation of NCC requirements outside the TRAC distribution model

21. The calculation of NCC requirements outside the TRAC distribution model as described in paragraphs 18-19 above, acknowledges NCCs as a separate group of programme countries. In this connection, the Executive Board may wish to review the concept of reimbursable TRAC-1. As shown in table 2, the amounts involved are very small but require special efforts to ensure strict compliance. Given this situation, it may be desirable to eliminate the practice of calculating a reimbursable TRAC-1 for existing NCCs. For a

country that has just received NCC status, a TRAC-1 could still be calculated outside the distribution model at 60 per cent of the earmarking in the previous period (see column 2 of table 2). This TRAC-1 would apply as a transition for the three-year grace period only. At the same time, UNDP would aim to establish with each first-time NCC specific and mutually agreed country targets for increasing voluntary contributions.

22. To facilitate the transition to full NCC status at the end of the three-year period, UNDP would also pursue with all countries concerned the establishment of country-specific "revolving fund" projects. These projects would be used to finance the start-up and/or preparation of future activities to be funded from other programme resources. As envisaged, such NCC activities would be financed initially from the TRAC allocation for the last year of the grace period. Any outlays under the revolving-fund project would be subsequently reimbursed from the pertinent cost-sharing projects or programmes, or by direct Government cost-sharing contributions to the revolving-fund project.

Resource management, monitoring and reporting

23. At the same time, UNDP would fine-tune its existing resource planning and resource management mechanisms to reflect NCC-specific programming arrangements, which would include: annual reconfirmation of delegated approval authorities depending on whether NCC obligations have been met; and no advance authorization on programming.

24. Resource planning frameworks for NCCs would fully accommodate all aspects of the arrangements agreed on and ensure a careful monitoring of the envisaged and actual net costs of UNDP assistance to NCCs over time. In line with this separate management system, the annual report of the Administrator would include information on NCCs as a group.

D. UNDP country office presence in net contributor countries and related cost implications

25. In its decision 98/19, the Executive Board requested the Administrator to analyse, under the alternate NCC scenarios, the full cost implications for both Governments and UNDP of maintaining offices in NCCs, including the support provided by headquarters. The following subsections examine the cost implications of UNDP country office presence in NCCs, as well as the implications for the resident coordinator system, including the role of UNDP in providing support to United Nations operational activities.

The role of UNDP in NCCs

26. The Administrator strongly supports the principle of graduation but at the same time recognizes the important role UNDP has to play, as the operational arm of the United Nations, in cooperating with countries at the various stages of their development. UNDP continues to make important contributions to the further advancement of graduating countries by participating in their various self-financed development activities, for which there is a continuing demand. Furthermore, the continued involvement of UNDP in NCCs can help to pave the way for more significant donor involvement by this important group of Member States.

Cost implications at alternate NCC thresholds

27. Table 3 shows the current costs of NCCs with UNDP country offices and the likely future costs of the prospective groups of NCCs that would result from alternate thresholds (using 1997 basic data). These thresholds are: $5,400, $4,000, $3,500 or $3,000. Using 1997 GNP per capita data with the existing NCC threshold of $4,700, results in three new NCCs, all of which currently have a UNDP country office.

28. The costing is based on actual experience for the 1996-1997 biennium support budget period. This biennium encompassed the last year of the fifth programming cycle (when NCCs were classified using 1989 GNP per capita) and the first year of the successor programming arrangements (when NCCs were classified using 1994 GNP per capita). Only one new NCC with a UNDP country office emerged in 1997 and it benefited from the three-year grace period for full NCC obligations (see paragraph 16).

Table 3. Potential biennial support budget implications of alternate NCC thresholds
(millions of US dollars)

(1) GNP per capita threshold	(2) Prospective number of NCCs at alternate thresholds (using 1997 GNP)	(3) Of total prospective NCCs, those currently with a UNDP office and resident coordinator/ resident representative (using 1997 GNP)	(4) Net cost to UNDP: from 1996-1997 biennial support budget for regular resources	(5) Costs covered by programme country Governments under 1996-1997 biennial support budgets for both regular and other resources	(6) Cost to UNDP for resident representative/ deputy resident representative if NCC programme from other resources reaches $8 and/or $12 million for 2 years (using 1997 GNP)
$5,400 and above	28	10	5.0	21.5	4.9
$4,700 and above	32	12	8.0	31.0	6.4
$4,000 and above	38	15	10.5	33.7	7.9
$3,500 and above	43	19	12.8	36.0	9.3
$3,000 and above	52	25	19.9	44.3	14.2

29. Column 4 of table 3 shows the net cost to UNDP of maintaining current country offices under the different NCC thresholds, based on actual costs incurred for the 1996-1997 biennium. Column 5 of table 3 shows the cost to programme country Governments of having a UNDP country office presence. This also includes cases where a NCC without a country office contributes to the GLOC assessment of a neighboring country office that provides support.

30. Column 6 of table 3 reflects the possible future cost to UNDP for current and prospective NCCs under projected programme levels where, under existing NCC criteria, UNDP would cover the cost of one or two international posts, including expenses relating to international travel and representation. All other costs relating to the UNDP country office (i.e., local staffing and operating costs such as premises, equipment, etc.) would have to be borne by the respective host Governments. In the current programming period (1997-1999), there are eight NCCs with UNDP country offices (excluding NCCs with a grace period). UNDP covers the cost of one international post in all

these offices at a cost of $3.6 million and a second international post in three of these countries at an additional cost of $1.3 million.

Cost implications for country offices

31. Experience indicates that UNDP support to NCCs, as an aggregate group, does not involve a net cost to the organization. In the fifth cycle, the current NCCs as a group provided a net surplus of $23 million to the general resources of UNDP, a favourable trend that continues to apply in the current period. Variations within the group remain the subject of continuous review and dialogue between UNDP and the relevant countries.

32. Columns 4 and 5 of table 3 indicate that prospective NCCs as a group presently cover the larger share of the cost of UNDP presence. Taking the voluntary contributions shown in column 2 into account, demonstrates that these countries as a group not only cover their total costs but also make a net contribution to the general resources of UNDP.

33. Column 5 of table 4 also shows that prospective NCCs as a group generate considerable programming funded from other resources. Current and prospective NCCs (at the $4,700 threshold) generated around $672 million in programming from other resources in the 1996-1997 biennium. This active and significant participation is indicative of the value placed on UNDP programme activities.

Table 4. Other financial information relating to alternative NCC scenarios
(millions of US dollars)

(1) 1997 GNP per capita NCC thresholds	(2) 1996-1997 voluntary contributions of existing/ prospective NCCs	(3) 1996-1997 Additional Government contributions towards local country office costs	(4) 1996-1997 Total contributions from Governments to regular resources	(5) 1996-1997 Programme expenditures from other resources
$5,400 and above	12.1	10.0	22.1	336.1
$4,700 and above	14.8	14.1	28.9	672.2
$4,000 and above	15.8	16.2	32.0	684.4
$3,500 and above	19.4	18.3	37.7	696.8
$3,000 and above	22.5	24.1	46.6	868.1

Cost implications for headquarters

34. With respect to the regular resource biennial support budget at headquarters, the cost implications of supporting UNDP country office presence in current NCCs are relatively marginal, given the minimal share of TRAC resources allocated to these countries. The headquarters staffing in the two regional bureaux where most of the current and prospective NCCs fall, have seven to eight internationally recruited staff and eight to nine locally recruited staff funded from regular resources, representing around 7 per cent of core headquarters staff. The comparatively low level of core staffing in these bureaux is the minimum capacity required for their functioning, irrespective of the number of NCCs covered. Furthermore the core cost of these same bureaux represent around 6 per cent of the core headquarters budget.

35. The support provided by central services to UNDP country offices in NCCs is also marginal. This should be seen in the context of the decentralization to the country level that has already taken place. Although there is a certain identifiable workload related to the special monitoring mechanisms for NCCs (e.g., reimbursable TRAC) this is expected to decline with the proposed streamlining of NCC arrangements as described in paragraph 26. As noted in paragraph 36, any possible additional workload is more than compensated for by the net contributions made by the NCC group.

Workload implications of NCC programmes funded from other resources

36. Both country office and headquarters workloads relating to current and prospective NCCs vary according to the level of programming funded from other resources. The nature of the workload is similar to programming under regular resources, except that additional reporting may be required from respective donors. The support cost income earned in connection with such programming, however, does provide the additional resources needed to cover the associated workload in both headquarters and country offices.

Implications for the resident coordinator system and the role of UNDP in providing support to United Nations operational activities

37. The support provided by UNDP to the United Nations system covers not only resident coordinator activities but also overall support to the United Nations system at the country level. These roles have been endorsed by the Executive Board and extend to all countries where UNDP has a country office presence, including NCCs.

38. UNDP currently attributes 27 per cent of its country office biennial support budget cost to the support of United Nations operational activities at the country level. UNDP would be expected to continue to contribute to this support in all countries where a country office presence is maintained, including NCCs. Table 5 provides a breakdown of the activities that relate to the 27 per cent of country office costs of UNDP in the 1998-1999 biennial support budget, together with other costs of UNDP support to operational activities.

Table 5. UNDP support to United Nations operational activities
1998-1999

(millions of US dollars)

Programme support to resident coordinator		22.6
Country offices		
United Nations system coordination	18.9	
Non-UNDP programmes for which UNDP resident representative is responsible	18.1	
Agency programmes	32.7	
United Nations system public information activities	5.1	
Requests from Secretary General	2.8	
Emergency/Humanitarian Relief	9.0	
Security on behalf of United Nations system	8.7	
Total country offices		95.3
Development Group Office		2.6
IAPSO		3.9
UNV (net)		29.4
TOTAL		153.8

39. Against this background, the Administrator strongly believes that UNDP should continue to contribute towards the cost of support to United Nations operational activities in NCCs. UNDP financing of this support in all countries where UNDP has a country office presence would demonstrate continued commitment in this respect.

III. PROGRAMMING MATTERS

40. Reports on the possible implications for programming arrangements resulting from the assessment of the pilot phase of the UNDAF (paragraph 8), and on ways to improve the flexibility in the allocations of TRAC-2 resources (paragraph 7) are provided below in accordance with decision 98/19.

A. Implications of the assessment of the UNDAF pilot phase

Background

41. In August 1997, the United Nations Development Group (UNDG) launched the pilot phase of the UNDAF in 18 countries. 5/ The assessment of this phase, which culminated with a workshop held in September 1998, confirmed the UNDAF as both a valuable process and product for enhancing programme coherence within the United Nations system at the country level.

42. Among the findings and recommendations emanating from the assessment was the prime role assigned to the assembly, assessment and analysis of a common set of data by the United Nations team through a common country assessment (CCA), as the point of departure for the UNDAF. 6/ The United Nations Development Group Executive Committee subsequently endorsed the various recommendations.

43. Preparation of a CCA reinforces the coordinating functions of the resident coordinator system by creating a common database and set of analyses that will serve the United Nations system and replace what organizations would normally undertake in preparation for their own country programming, thereby promoting a coordinated approach in resolving problems identified, and increasing the overall cost-efficiency of such efforts.

5/ The following United Nations funds and programmes are members of UNDG: United Nations Development Programme, United Nations Population Fund, United Nations Children's Fund and the World Food Programme.

6/ The CCA provides an overview of national development based on the compilation and review of a common set of indicators that reflect the priorities and mandates of United Nations system organizations as well as internationally agreed on goals set by various world conferences held during the 1990s, adapted to the particular characteristics of the country. The decision to prepare a CCA lies with the locally represented UNDG organizations, led by the Resident Coordinator. Participation of other United Nations system entities (resident or non-resident) as well as international financial institutions (IFIs) is encouraged. The Resident Coordinator keeps government informed of the initiative, and the donor community and civil society may also be kept abreast of developments.

44. Grounded in the common databases and analyses of the CCA, the UNDAF 7/ enables the United Nations Country Team to: to intensify their goal-oriented collaboration in response to national development priorities; ensure coherence and mutual reinforcement among their individual programmes of assistance; and maximize the collective and individual development impact of these programmes. The programmes and related resources of the individual United Nations system participants in the UNDAF are formulated with reference to and as part of the UNDAF, but remain clearly identifiable.

Implications

45. The expansion of the UNDAF beyond the pilot phase and its grounding in the CCA both have certain implications for programming arrangements in UNDP. The CCA includes many elements currently covered by the UNDP advisory note, except for the identification of areas proposed for UNDP cooperation (which are encompassed by the UNDAF). Thus, with wider application of the CCA and UNDAF, the advisory note will be discontinued as a stage in its programming process. (The advisory note would be required only in those cases where the CCA or its equivalent is unavailable). As was the case for the advisory note, the CCA continues to provide for consultations with the Government, donor organizations and other entities at the country level.

46. Second, reference to the more comprehensive information, analyses and strategies already contained in the CCA and UNDAF would permit a considerable foreshortening of certain sections of the CCF and also provide the basis for focusing on results, by incorporating more concrete details of programme content at the CCF stage. This could be accomplished without any appreciable change in the current page limitation on the CCF document. The inclusion of additional information on programme content within the CCF document itself will in turn permit UNDP to eliminate programme outlines as a separate and subsequent step in the programming process.

B. Improving flexibility in the allocation of TRAC-2 resources

47. The move to eliminate both the advisory note and programme outlines as separate, required steps in the UNDP programming process greatly reduces the burden on both country offices and Governments. This, in turn, enhances overall flexibility in the TRAC-2 assignment process.

7/ Responsibility for the formulation of the UNDAF lies with the locally represented UNDG organizations, led by the Resident Coordinator. Entities such as United Nations specialized agencies, regional organization and IFIs are encouraged to join or contribute to the process. Government participation and support is vital, and donor organizations, NGOs and other civil society groups can participate as appropriate. The UNDAF document, approved locally by the United Nations Country Team, outlines the totality of development cooperation proposed by United Nations system participants, and describes the objectives, strategies, duration, resource framework (subject to the allocation and approval systems of each participant), as well as options for additional resource mobilization.

48. Following the approval of the CCF by the Executive Board, the Administrator will continue to decide on the level of TRAC-2 assignments based on a careful application of the guiding principles to the programmes described in the CCF. In this connection, it is important to recognize the need to strike a balance between the level of detail required to assess programme quality, and the desirability of decentralizing programme elaboration to the country level.

49. The move towards results-based management will minimize ex ante review of documentation in favour of a system that relies more on ex post assessment of performance (see paragraph 45 of document DP/1998/34) will also permit future TRAC-2 assignments to assess how well proposed programmes articulate measurable results, and how past performance indicates the likelihood of reaching these results. The needs of countries that require additional capacity-building in these areas will continue to be taken into account in resource assignments.

50. As noted in paragraph 52 of document DP/1998/34, the TRAC-2 assignment process is intended to serve as an incentive to generate high-quality sustainable human development programming. Even modest variations around the average TRAC-2 assignment in the introductory period have served as powerful incentives to quality programming and can be expected to function in this manner in future.

51. Many of the difficulties encountered in ensuring sufficient flexibility in TRAC-2 assignments have largely been resolved through experience gained in the introductory period (e.g., learning how to manage TRAC-2 assignments for country submissions made at various points in time while still respecting the overall percentage criteria for low-income countries and LDCs).

C. Follow-up actions

52. UNDP will continue to work with the members of the UNDG to implement the recommendations emanating from the assessment of the pilot phase of the UNDAF. The new UNDP programming manual (foreseen for distribution early in 1999) reflects the linkages of the CCA and UNDAF to the preparation of the CCF, and the elimination of the advisory note and programme outlines as separate programming steps. Until the CCA and UNDAF become more widely applied, however, existing programming procedures can continue to apply. In line with these changes, work will also continue on refining internal procedures for assessing programme quality and performance, and simplifying the TRAC-2 assignment process.

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RESOURCE MOBILIZATION

THE MULTI-YEAR FUNDING FRAMEWORK

Report of the Administrator

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I. THE CONTEXT

A. Introduction

1. After several months of discussion during the Open-Ended, Ad Hoc Working Group on the Funding Strategy for UNDP and intensive negotiations at the third regular session 1998, the Executive Board adopted landmark decision 98/23 on the UNDP funding strategy. The decision represents a new compact between UNDP stakeholders as to how to reverse the continued decline in the UNDP core resource situation.

2. Specifically, in paragraph 10 of decision 98/23, the Board adopted an annual funding target of $1.1 billion and in paragraph 11 stressed, in this context, the urgent need to achieve annual increases in the mobilization of core resources until the target is met.

3. In paragraph 12 of decision 98/23, the Executive Board decided, in this context, that UNDP should develop a multi-year funding framework (MYFF) that integrates programme objectives, resources, budget and outcomes, with the objective of increasing core resources. The MYFF is to take into account the following principles:

(i) This framework shall maintain the order of priorities and the mandate of UNDP as determined by the Executive Board;

(ii) This framework shall not introduce any conditionality nor result in distortions of priorities or changes in the current system of resource allocation;

(iii) The allocation of additional core resources that may be mobilized by the multi-year funding framework shall be consistent with programming guidelines determined by the Executive Board; priority must be given to programmes.

4. The Administrator has rigorously applied these principles and the guidance provided by decision 98/23 in submitting the present report in accordance with paragraph 14 of the decision.

B. The background

5. The move to a more results-oriented approach in UNDP did not originate with decision 98/23. An understanding of the adoption of a results focus by UNDP requires an assessment of the evolution that has taken place in the UNDP mandate, in the external environment and in management practices over the last decade.

6. The evolution in the UNDP mandate can be traced through Executive Board decisions 94/14, 95/23 and, most recently, decision 98/1. Together, these decisions represent a significant shift to UNDP being a more focused organization. The shift to greater focus has always been held as fully compatible with the principle that programming must be country driven and

responsive to priorities and needs as established at the country level. Together with the commitment to a focus on results has come a new approach to resource allocation. This is embodied in decision 95/23, in which the Board established the principle of building an incentive mechanism into the resource allocation system through the creation of the target for resource assignment from the core (TRAC) line 1.1.2. Neither the shift to greater focus nor the creation of the TRAC system have introduced conditionality into the UNDP programming system. However, they have inevitably led to increased emphasis on results.

7. The trends that can be observed in UNDP reflect a much broader evolution of thinking and practice in international development cooperation. For some three decades, up to the beginning of the 1990s, aid flows were largely determined by national strategic considerations. The changed global context of the 1990s has led to a significant shift in thinking about development cooperation. The international community has redirected its attention to the definition of clear development goals. To a significant extent, these goals focus on the promotion of sustainable human development. They have been elaborated on and discussed in numerous forums, in particular in the succession of global conferences held under United Nations auspices. Both multilateral and bilateral development agencies have converged to identify more specifically the development goals to which they wish to contribute. Development cooperation budgets have become explicitly linked in national debates to the achievement of results.

8. The shift to a focus on results in UNDP, as elsewhere, has also been the corollary of an evolution in thinking about management. In May 1997, the Administrator submitted a set of change management proposals to the Executive Board - referred to as UNDP 2001. The move to a results-based organization is deeply embedded in the principles of UNDP 2001. These principles encompass the need to move from a management culture of control to one that emphasizes delegated authority, from a focus on inputs to one on outputs and outcomes, from ex ante to ex post management systems, from attention to bureaucratic processes to speed, from a risk averse to an opportunity-driven culture. The underlying principles of UNDP 2001 are based on moving the organization from an entitlement-based culture to a results-based culture. The delegation of authority and a shift to ex post controls requires a new focus on results.

9. In short, UNDP 2001 was premised on the critical need to realign the Organization's management practices with the evolution that was taking place in the UNDP mandate as well as in the external environment. The shift to a focus on results is a key point of convergence in the realignment that has been taking place.

C. Process

10. As a consequence of decision 98/23, three separate ongoing internal exercises have been integrated. In 1997, the Administrator requested the Evaluation Office, together with the Bureau for Development Policy and others, to develop a new framework for assessing and reporting on programme results. This was to build on the work already undertaken by the Evaluation Office in this field, reflected in particular in the publication of "Measuring and

Managing Results: Lessons for Development Cooperation" in collaboration with the Swedish International Development Agency (SIDA). At the same time, the Operations Support Group was working on a new framework for the implementation of the holistic oversight concept, which was an integral component of UNDP 2001. This work entailed, among other things, that reporting requirements be defined. Finally, in the context of preparations for submission to the Executive Board of reports on the successor arrangements and the 2000-2001 biennial budget, consideration was being given to the need for changes in the presentations made of the overall resource situation.

11. In the period leading up to the adoption of decision 98/23, it became evident that a coherent approach was needed within UNDP to be able to respond to the challenge being presented by the Board. Against this background, the Administrator established a task force to bring coherence to the process. This task force, which has met regularly since approval of decision 98/23, reviews all related issues.

12. Extensive consultations have been held both within UNDP and with other development partners on numerous aspects of the result-based approach, which has been tested in two workshops and ten pilots undertaken in programme countries. Resident representatives have been consulted in two different resident representative meetings and the proposals have also been reviewed by the Expanded Executive Committee, which includes 10 resident representatives. Management has been consulted on numerous occasions in the Executive Committee and in the Operations Group in particular. Most recently, the proposed approach was discussed extensively at a senior management meeting held at Mohonk, New York, and the senior management committed itself to its implementation. As requested by the Executive Board, the Administrator has consulted closely with the Board on the proposals contained in the present report. Finally, UNDP has had the opportunity to compare its proposed methodology with a large number of development aid organizations in the context of a workshop on the subject organized in conjunction with the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC).

13. In summary, UNDP is investing extensively in a highly participatory approach that incorporates insights from actual experience in programme countries. Management is very conscious that unless the proposals contained in the present report are fully owned by staff at large and become a visceral part of the organization, the focus on results will be short-lived. The process followed has been to do everything possible to ensure that assessing and reporting on results is not a minority preoccupation but a way of doing business for the organization as a whole. This means that the highest priority has to be given to simplicity and to ensuring value-added for managers. Concerns have been raised from an operational perspective that without top priority being given to this exercise, it will be difficult to manage the many competing demands being made in country offices. Nevertheless, the work undertaken has already given rise to a number of important benefits. The establishment of the working group on results has been a significant team-building exercise, one which has given increasing recognition to a more strategic approach to management. Greater awareness of developments in the external environment has been fostered. Finally, the extensive consultations held by the Executive Board have, in the perception of UNDP staff, helped to strengthen the sense of

partnership and common sense of purpose that developed through the process of the Open-Ended Working Group, culminating in the approval of decision 98/23.

14. The Administrator is committed to moving forward on a pragmatic basis. Mistakes will be made and lessons learnt. Adjustments will certainly have to be made. Over time, the Administrator is confident that the proposed framework can be improved and strengthened. The Administrator believes that the best way forward is to ensure that the process of learning takes place in full partnership with the Board.

II. PROPOSALS

A. The multi-year funding framework

15. It is important to distinguish between the MYFF itself and the reporting to be undertaken against the framework. The process to be put into place is made up of three distinct elements:

(a) A four-year funding framework that encompasses programme goals, subgoals, areas identified for UNDP support, expected outcomes and outputs, and a resource framework that integrates all financial allocations;

(b) A results-oriented annual report (ROAR) that provides the Board at its second regular session each year with a comprehensive assessment of the Board each April as to key results achieved and a review of the use of resources;

(c) A more in-depth assessment produced every four years of performance relating to the outcomes and outputs identified in the multi-year funding framework report (MYFFR).

16. It is important to understand the MYFF as incorporating all three aspects. The three reports will follow the same structure; they differ in that they perform different functions during the course of a four-year cycle.

MYFF

17. The MYFF consists of two basic elements: (a) a strategic results framework and (b) an integrated resource framework. Both elements will be related within the overall framework of the MYFF. The use of resources in relationship to results will be defined in the ROAR.

18. The strategic results framework provides a broad frame of reference for UNDP strategic development goals. This requires in the first place a set of practical categories that capture the full range of UNDP-supported development activities. For management purposes, UNDP activities are divided into seven categories, based on existing mandates and bearing in mind the need for categories that are compatible with information systems as currently designed. The seven categories are:

(a) The enabling environment for sustainable human development;

(b) Poverty eradication and sustainable livelihood;

(c) Environment;

(d) Gender;

(e) Special development situations;

(f) UNDP support to the United Nations;

(g) Management.

19. The UNDP support to the United Nations category refers to the specific mandate given to UNDP by the Executive Board in decision 94/14 to perform a wide range of functions for the United Nations operational system as a whole. The management category relates to functions and resource allocations that pertain to the overall management of the organization and which need to be accounted for as a separate category. Overall, these seven categories provide the elements of a strategic framework within which to assess results achieved.

20. Within each category, broad goals, subgoals and strategic areas of UNDP support will be identified. The purpose of defining the goals, subgoals and areas of support is to provide a frame of reference for operating units as they strive to define expected outcomes and outputs. The goals and support areas represent management tools to provide overall guidance to operating units. They provide the necessary framework to make it possible to aggregate and assess results on an organization-wide basis.

21. Outcomes and outputs will be identified at the operating unit level (e.g., by a country office). Each operating unit would define the expected outcomes and outputs that would enable an assessment of results achieved to be undertaken. The strategic results framework described above would provide a frame of reference for the regional bureaux, country offices, and other operating units. An iterative relationship is conceived at the heart of the interaction between goals and areas of support on the one hand and the definition of outcomes and outputs on the other. The first is defined corporately, the second is defined at the country level. There will be a constant process of adjusting the fit between the corporately defined results framework and the definition of outcomes and outputs identified at the operating unit level. This iterative relationship is captured in figure 1. The two processes, one top-down and the other bottom-up, meet at the point at which outcomes have to be matched to areas of support. This matching exercise will in all probability lead to adjustments on both sides. This provides an excellent basis for organizational learning.

22. Table 1 provides a sample of one slice of the strategic results framework. An example is taken from current work in the category of poverty eradication. The goal, subgoal and area of support have been defined corporately. The outcomes and outputs and related indicators would be filled in by the operating unit. These will be refined with experience.

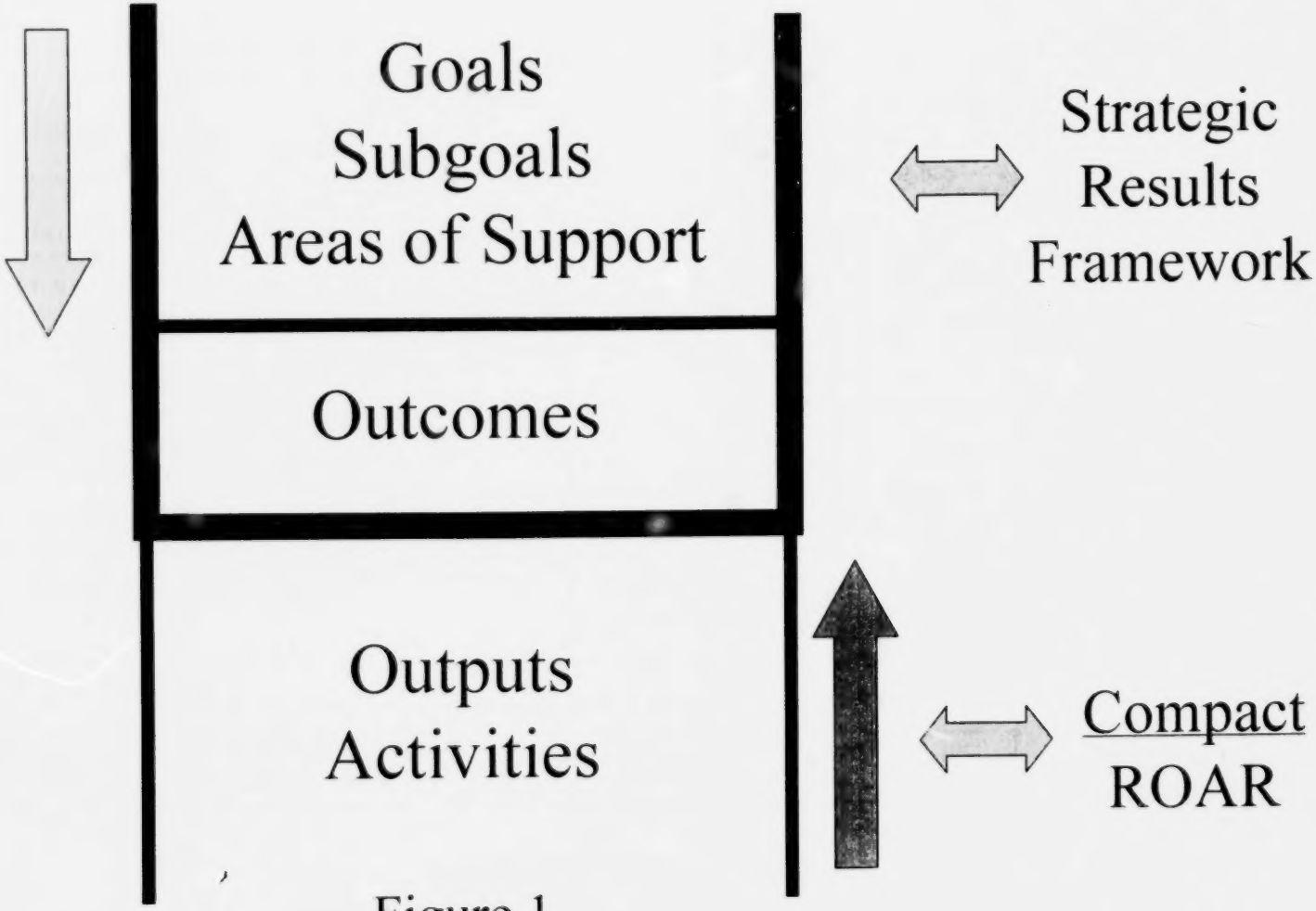
Goals
Subgoals
Areas of Support
Strategic
Results
Framework
Outcomes
Outputs
Activities
Compact
ROAR

Figure 1

Table 1

The Multi-year Funding Framework

The Strategic Results Framework

UNDP GOAL IN POVERTY ERADICATION: To eradicate extreme poverty and reduce substantially overall poverty in programme countries {WSSD Commitment 2}					
SUBGOAL 1. To create an enabling environment for pro-poor economic growth in programme countries					
	OUTCOMES		OUTPUTS		
STRATEGIC AREAS OF UNDP SUPPORT	Intended	Indicator	Intended	Indicator	
Institutional capacity to implement anti-poverty strategies * Development of national capacity for poverty mapping, measurement and monitoring, gender-disaggregated data collection and analysis, policy analysis and interdepartmental and state/CSO coordination; * Development of national capacity to analyse public investment and public expenditure plans from a pro-poor perspective; * Facilitating integration of education, health and social services into national poverty-reduction efforts.					STRATEGIC PARTNERSHIPS

23. The identification of outcomes and outputs, where possible, would use as a basis information contained in country cooperation frameworks (CCFs) and United Nations Development Assistance Frameworks (UNDAFs). It is expected that the preparation of the MYFF and UNDAFs will be mutually reinforcing at the country level since they both represent strategic management instruments that will sharpen the respective comparative strengths of United Nations and other partners. At the same time, it must be recognized that the CCF cycle may not coincide with the MYFF cycle. It is an accepted principle that the CCF cycle should respond in the first place to host government planning cycles. In addition, UNDP is committed to a harmonized cycle within the United Nations Development Group. UNDP is therefore not in a position to adjust CCF cycles arbitrarily to align them with the requirements of the MYFF. It is proposed to manage this by accepting that the strategic results framework needs to be understood as a management framework that will be subject to continuous adjustment reflecting experience.

24. In table 1 specific provision is made for information relating to strategic partnerships. This gives recognition to the reality that it is only by working with key strategic partners at the country level that UNDP will be able to make a significant contribution in the areas in which it is working. Any real assessment of performance and results would have to take into account this dimension.

25. The final key component of the MYFF relates to the presentation of an integrated resource framework. This framework will relate the overall framework to the allocation of programme, programme support, support to the United Nations and management and administrative costs. In integrating the resource framework with the strategic results framework, it is essential to differentiate the presentation to be made in the MYFF with the presentation made in the ROAR. In the MYFF, programme allocations would not be broken up by thematic categories since allocations are not made by theme. This respects the principle contained in decision 98/23 that the MYFF should not introduce changes in the current system of resource allocation. Moreover, the necessary information would simply not be available at the beginning of any specific four-year MYFF cycle to indicate resource allocations by theme. Such information would need to be aggregated from country-level data and this data will only become available after consultations with Governments and as CCFs are finalized.

26. Against this background, it is proposed that the integrated resource framework be presented as reflected in table 2, which provides a mock-up of how the integrated resource framework would have looked had it been applied to the 1996-1999 period. It is provided for illustrative purposes only.

27. Resource allocations would be provided within three broad groupings, consistent with those of the strategic-results framework: (a) the five programme thematic categories; (b) UNDP support to the United Nations; and (c) management and administration. With regard to the programme/thematic category, it is further proposed to differentiate between allocations to least developed countries, middle-income countries, net contributor countries, and other countries. This provides a new level of transparency in the presentation while respecting the existing principles that govern programme resource allocations.

Table 2. MOCK-UP OF RESOURCES ALLOCATION FRAMEWORK (1996-1999)
US$ MILLIONS
(BASED ON ACTUAL AND PROJECTIONS)

Category	RESOURCES ALLOCATION (1996-1999)																
	Programme allocation							Programme support Regular Resources:							Management and administration a/	Support to UN operational activities b/	Grand
	TRAC1+2 c/	TRAC 1.1.3	SPPD&STS	Subtotal	Govt. CS	Other CS&TF	Total	CO d/	HQ e/	GLOC & Oth inc	Total	AOS	Oth. Res.	Total	Reg Res	Reg Res	Total	%
Core programme (Poverty, enabling environment for SHD, environment, gender, and programme for special development situations)																		
Country offices																		
Least developed countries	1,143.9	70.4	52.1	1,266.4	162.4	233.3	1,662.1	215.6	65.7	12.8	268.5	67.2	23.0	358.7			2,020.8	0.0
Other countries	762.5	46.9	34.8	844.2	2,339.1	804.8	3,988.1	203.9	43.8	60.3	187.4	44.8	97.0	329.2			4,317.3	0.0
Net contributor countries	6.7	0.0	0.4	7.1	620.8	82.9	710.8	28.9	0.4	27.3	2.0	0.6	44.4	47.0			757.8	0.0
Subtotal	1,913.1	117.3	87.3	2,117.7	3,122.3	1,121.0	6,361.0	448.4	109.8	100.4	457.8	112.6	164.4	734.8			7,095.8	85.4
Other	300.8	0.0	4.0	304.8	46.6	244.5	595.9	57.2	20.7	0.0	77.9	15.0	2.4	95.3			691.2	8.3
Subtotal	2,213.9	117.3	91.3	2,422.5	3,168.9	1,365.5	6,956.9	505.6	130.5	100.4	535.7	127.6	166.8	830.1			7,787.0	93.7
Total	2,213.9	117.3	91.3	2,422.5	3,168.9	1,365.5	6,956.9	505.6	130.5	100.4	535.7	127.6	166.8	830.1	0.0	0.0	7,787.0	93.7
Management and administration															227.0		227.0	2.7
Support to United Nations																		
Programme support to Resident Coordinator																28.6	28.6	0.0
Country offices																186.8	186.8	0.0
DGO																4.7	4.7	0.0
IAPSO																8.3	8.3	0.0
UNV (net)																65.4	65.4	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	293.8	293.8	3.5
Grand total	**2,213.9**	**117.3**	**91.3**	**2,422.5**	**3,168.9**	**1,365.5**	**6,956.9**	**505.6**	**130.5**	**100.4**	**535.7**	**127.6**	**166.8**	**830.1**	**227.0**	**293.8**	**8,307.8**	100.0
Percentages							83.7							10.0	2.7	3.5	100.0	

a/ Management and administration takes into account $7.9 m related to tax income for 1998–1999 under regular resources. It does not reflect $18.0 m related to other resources.
b/ Does not reflect other resource activities amounting to $11.5 m and $64.7 m for IAPSO and UNV respectively.
c/ Covers regional and global programmes and other (Evaluation, Technical Cooperation among Developing Countries, Programme of Assistance to Palestinian People, Central America, etc.)
d/ Covers under "other" country office budget managed centrally.
e/ Allocation of headquarters budget based on core programme distribution.

28. Resource allocations have been divided between programme allocations, programme support, support to the United Nations and management and administration. These categories respect the current appropriation lines approved by the Executive Board with respect to the biennial budget as well as the framework agreed to in the context of the UNDP commitment to following a harmonized budget format, as requested by the Board. Information is included with regard to non-core resource levels. Bearing in mind the overall level of extrabudgetary resources and the importance attached to these resources in decision 98/23, the Administrator believes that transparency with regard to the levels of these resources is essential. It is proposed that a more detailed breakdown of the type of extrabudgetary resources that are being projected be provided in a supplementary table.

29. It is important to note that in both the ROAR and the MYFFR, information will be provided on the use of resources by theme. This is explained in detail in the sections below relating to these two reports.

30. In summary, the Administrator is confident that UNDP can establish the MYFF. As described above, the MYFF would represent a major step forward for UNDP since it would for the first time provide a comprehensive framework for assessing results together with an integrated resource framework. As already indicated, the MYFF will cover a fixed four-year period, at the end of which the MYFFR will be produced to report on cumulative performance. In order to avoid any hiatuses of a legislative or operational nature, the succeeding four-year MYFF, inclusive of its supporting biennial budget and programme earmarkings, will need to be approved in advance of completion of the current MYFF. UNDP is addressing the manner in which this might best be effected and expects to report to the Executive Board in this regard at its second regular session 1999. The Administrator considers it essential that from the outset there is understanding that UNDP will be engaged in a learning process. There must be a willingness to manage the complexity inherent in such an undertaking in a pragmatic manner.

31. The Administrator's proposal is to replace the overall framework provided by the existing successor programming arrangements with the MYFF starting in January 2000. Under current arrangements, the allocation of resources takes place in two separate processes that use different time frames. Programme allocations are made in the context of an Executive Board decision on programming arrangements while the biennial support budget is appropriated by the Board in a separate budget decision. Programming allocations are based on a three-year cycle while the biennial budget is based on a two-year cycle.

32. The MYFF would be for a duration of four years and would provide an integrated resource framework. Within this framework, the Administrator would at the same time present his detailed proposals for the 2000-2001 biennial budget. This would enable the Executive Board to make broad resource allocation decisions within the overall framework. At the same time, it preserves the existing two-year biennial support budget decision-making process, which ensures consistency with the format of the harmonized budget and compliance with the requirements of the Advisory Committee on Administrative and Budgetary Questions. It also ensures that the Board continues to have the possibility of reviewing the biennial budget at a greater level of detail than would be possible in the MYFF.

B. Methodological issues

33. During the informal Executive Board discussions over the final negotiations leading to decision 98/23, a number of specific methodological issues were raised. In particular, explanations were sought as to how the Administrator intended to deal with three well-known methodological challenges: the problems of distortion, attribution and aggregation.

Distortion

34. The Administrator is especially conscious of the need to guard against the potential for distortion. The adage "you become what you measure" has particular relevance for UNDP. There are three dimensions to the potential for distortion. The first is that the role of UNDP as a trusted partner of Governments and its work in capacity-building put a premium on discretion - recognizing that the role of UNDP is to support national partners is a critical dimension of United Nations support.

35. The second is that while support in the so-called "soft" areas of capacity-building, policy advice and advocacy may well be the greatest comparative advantage of UNDP, these areas may be the most difficult against which to assess results. The experience of a number of development cooperation agencies with the shift to a results-based approach has shown that, unless guarded against, there could be a tendency for country operations to focus more explicitly on quantifiable initiatives. The World Bank's recent policy research report, Assessing Aid: What Works, What Doesn't, and Why", makes precisely the point that assistance relating to the policy environment and institutional capacities can have a far greater impact than aid to specific measurable sectors with clearly defined goals. It is therefore critical that UNDP guard against the development of any disincentives that would prevent it from focusing on capacity-building and advocacy work, both of which are labour intensive against which it is much more difficult to assess results than it is in specific sectors.

36. The third and very much related distortion to guard against is the tendency for development agencies to follow one another. The measurement of results tends to encourage across-the-board comparisons. This puts a premium on comparisons of how agencies do the same thing rather than providing insights into how agencies can play different and complementary roles. The value of United Nations support would be diminished if a new set of incentives made it more difficult for the United Nations to preserve the specific characteristics that differentiate United Nations intervention from other types of intervention.

37. The Administrator will ensure that the new framework will be sufficiently flexible and broadly based to prevent the possibility of distortions occurring at the level of the operating unit.

Attribution

38. The iterative approach adopted provides transparency in dealing with the issue of attribution. The major challenge is one of credibility. The strategic results framework represents a management tool to provide a frame of reference

for operating units. Attribution is not possible at this level of conceptualization.

39. With regard to the outcomes and outputs that are identified by operating units, these are clearly linked to contributions that UNDP can credibly claim it is making. They have indeed been defined from the vantage point of the contribution UNDP is trying to make. By definition, they are therefore attributable in a meaningful way. This is not to deny that there may be many other factors influencing a particular outcome or output. In particular, it will be important to identify other partners engaged in a certain area. While these are appropriate issues when determining accountability for the achievement of results, they do not appear to be insurmountable obstacles in reporting on the achievement of results. The key to tackling the attribution problem is to ensure credibility.

Aggregation

40. Aggregation continues to pose a significant challenge. UNDP will not be providing information either in the MYFF or in the ROAR on a country-level basis. Assessments of results will be provided at an aggregate level. One approach could be that for each set of goals and subgoals, results would be assessed for different categories of countries. At this point, however, the Administrator is not in a position to make a determination as to the categories he will use to aggregate results. This determination will have to be based on an analysis of outcomes and outputs identified by country offices.

41. It does, however, appear evident that the aggregation of reporting on results will necessarily tend to favour reporting of a qualitative nature. This will also be necessary in order to avoid the dangers of potential distortion as described above. Nonetheless, UNDP will pursue quantitative aggregation whenever this is possible. In the initial stages, it should also be borne in mind that reporting on results will be more focused on outputs than on outcomes. Over time, a better assessment of outcomes should be possible and this should become evident in the MYFFR.

42. In any event, reporting on results will always require proper analysis and qualitative assessment. In this connection, the ROAR and the MYFFR will always need to be reviewed in conjunction with longer-term programme reviews and evaluations.

C. The multi-year funding framework: reporting

43. As noted in paragraph 15, two reports on performance against the MYFF are proposed: the results-oriented annual report (ROAR) and the multi-year funding framework report (MYFFR).

The ROAR

44. The ROAR will provide the Executive Board each April with a comprehensive assessment of key results achieved and review of the use of resources. It will follow the same framework established in the MYFF. Table 1 will in this sense

be the foundation for the ROAR. In a number of respects, however, the ROAR will go beyond the MYFF.

45. First, the ROAR will provide for reporting for actual performance against the expected outcomes and outputs. Actual performance will be assessed in particular against the indicators provided. It is important to stress in this connection that it is the quality of the analysis that will accompany the reporting on results that will determine the value of the exercise from a developmental perspective. It is the quality of the analysis that will generate and deepen learning.

46. Second, the ROAR will provide information on the use of resources at the level of each of the seven categories used in the MYFF. Information on the use of resources will be provided for each of the five programme thematic categories as well as for support to the United Nations and management and administration. Beyond this, the Administrator is exploring further the possibility of reporting on the use of resources at the level of individual goals and subgoals. While he believes this may be possible, the practicality of this proposal cannot be determined until all goals and subgoals are defined and it is possible to review whether these can be mapped directly onto existing information data systems. The Administrator will be able to commit to providing a specific level of information only when he is certain of the full workload implications; he will accordingly revert to the Executive Board on this point as soon as they are clear.

47. Finally, the ROAR will include reference to situational indicators. These will relate to broad trends at the country level that provide a point of reference in the broadest sense for UNDP activities. These indicators will be based on existing data, including in particular that used in common country assessments. The situational indicators are not an integral part of the MYFF. Rather, they should be seen as a reference point for assessments of operating-unit performance at the country level.

The MYFFR

48. The Administrator has not at this point given careful consideration to the form which the report on the MYFF would take. It appears premature at this point to focus on this issue. It will, however, be undertaken every four years in conjunction with the approval of a new MYFF, which will constitute a more in-depth assessment of performance relating to outcomes and outputs identified in the previous MYFF. The Administrator is committed to undertaking a comprehensive MYFFR and will give this further consideration at the appropriate time. He also proposes to consult further with the Board on this issue at the appropriate time.

D. The compact

49. In 1998, the Administrator introduced compacts as the principal vehicle for establishing two-way accountability between himself and his senior managers as well as between regional directors and resident representatives. The introduction of compacts has been an important feature of the implementation of

UNDP 2001. Against this background, it is important to clarify the relationship between the ROAR as presented in the present report and the compact as envisaged for 1999.

50. There is a clear distinction between the ROAR and the compact. The ROAR represents a reporting mechanism that will capture key programme and management goals and expected outcomes and outputs. In this regard, it will, over time, become an important tool for strategic management. However, it is not intended as a tool for implementing accountability. Such confusion would risk the severe distortion effects described above.

51. The compact will provide the tool for pursuing accountability. The new structure and format of the compact will be implemented for 1999. In principle, it will follow the same general structure as the ROAR but will be at a higher level of aggregation and selectivity. Items chosen for the compact will represent conscious decisions by the managers concerned that they wish to be held accountable for the goals and outputs indicated in the compacts.

E. The funding system

52. At the heart of the year-long discussion on reversing the decline in core resources for United Nations operational development activities has been the urgent need to develop funding strategies for each United Nations fund and programme that will both generate the increased volume of core resources required to implement each respective mandate successfully and to facilitate greater predictability of core funding.

53. In its decision 98/23, the Executive Board decided to hold a new special funding session for the mobilization of core resources for UNDP, ideally on a multi-year basis. Specifically, in paragraph 12 (b) of the same decision, the Board designated the second regular session of the Executive Board each year (April) as the time when all member countries would announce their voluntary core contributions to UNDP as follows: (a) announce their voluntary core contributions to UNDP as follows: a firm funding commitment for the current year; for those in a position to do so, a firm contribution or indication of the contribution for the following year; and a firm or tentative contribution for the third year; (b) announce payment schedules for the current year (early payments should be encouraged); (c) Review the record of actual core contributions and government contributions to local office costs payments as well as the timing of payments made in the previous calendar year.

54. In the paragraphs that follow, the Administrator presents brief preliminary proposals for the overall timing and linkages between the funding system and the MYFF and the ROAR, the April special funding session itself, the documentation required and the decisions this funding session should facilitate.

55. The Administrator proposes that the first MYFF for the years 2000-2003 be presented to the Executive Board at its third regular session 1999. As envisioned in decision 98/23, after its approval the MYFF will in effect become the main vehicle for mobilization of core resources for UNDP; as such it will be what the Administrator and senior staff strategically discuss with the

organization's donors and stakeholders, what stakeholders discuss with each other as to the global results UNDP hopes to achieve over the four-year period and a comprehensive presentation of the resource base the organization requires to achieve such results.

56. This overall multi-year framework for resource mobilization will be complemented by the presentation of the ROAR at the annual special funding session each April. In this way, specific results will be directly linked to a more focused discussion on core resources required.

57. As highlighted by several delegations during the three informal briefing sessions held with Executive Board members during October and November 1998, the new funding system should contribute to a dynamic dialogue and facilitate action by the Executive Board to secure the financial health of the organization. Hence, in designing a new core funding system, priority must be given to facilitating an open exchange on core funding that would lead to greater predictability. The fact that the 1998 United Nations Pledging Conference yielded formal pledges of just over 5 per cent of estimated 1999 core contributions to UNDP highlights how important it is that any new system developed facilitate much greater predictability.

58. It is thus envisioned that, in line with decision 98/23, the special funding session would be open to all member countries, not only to members of the Executive Board. At each annual session on commitments to the MYFF, the Administrator will make (a) a global presentation of the main results achieved in the previous year (the ROAR) to be followed by a focused discussion by member countries on total core contributions thus publicly committed for current and future years and (b) a review of resource trends. There would then follow a strategic discussion during the session of how to meet any shortfall in resources required. A discussion of the ROAR during the special funding session would present an opportunity for member countries to review with the secretariat results achieved in specific areas and, most importantly, progress made towards reaching the agreed annual core funding target of $1.1 billion. The only modification to this will be the first special funding session held in April 1999, when there will be no ROAR presented. As envisioned in decision 98/23, the special funding session in April 1999 will be of a somewhat transitional nature.

59. That being said, it is specifically proposed that during the first special funding session in April 1999, the Secretariat would present the commitments made by member countries for the current years as well as for future years, where possible, as per decision 98/23. In this context, it is proposed that by the second week of April 1999, each member country communicate to the secretariat in writing the core contributions (and schedule of payments) it plans to make so that comprehensive tables can be prepared for all member countries outlining contributions committed.

60. In addition, some member countries may also wish to submit a formal written statement to be circulated as part of an overall compendium report to all participating member countries during the session on commitment to the MYFF. The statement should similarly be received by the second week of April, ideally as part of the same correspondence communicating the core contributions.

Circulating such information in advance will enable the limited time available during the funding session to be used for dialogue rather than for formal statements and pledges by each individual country.

61. It is anticipated that the global presentation that will then be circulated by the secretariat before the session will include, for example, the core contribution committed by each individual country for the current year, preceded by actual core contributions made in the previous two years (reflected as actual income received) and proposed contributions for the two future years (denoted as either firm or indicative). The preparation and distribution of such material in advance will facilitate a more dynamic discussion of the financial situation of UNDP while reinforcing the compact underlying decision 98/23.

62. On the basis of such written commitments, and in the spirit of partnership that underscored the Ad Hoc Open-ended Working Group, the secretariat would then prepare a presentation of commitments received, highlighting countries that have provided multi-year pledges, countries that have committed to increase core contributions, countries that intend to maintain their contributions and so forth. The intention is that this presentation should give as clear and transparent a picture as possible of the UNDP core resource situation. Based on the firm commitments made, and with linkage to the ROAR, discussion would focus on the progress made in meeting the adopted annual core funding target of $1.1 billion and the projected ability of the organization to achieve planned results in the coming year, given the total contributions to core resources.

63. Since 1999 will mark the transition to the new funding system, since multi-year pledges are not yet in place and since there are few formal pledges for core contributions for 1999, it is important that member countries communicate their 1999 core contributions as early as possible before the proposed deadline of the second week of April 1999. With the continued further reduction of liquid programmable resources, it is particularly important to have as early as possible an accurate picture of total core resources available for 1999 in order to ensure sound management and planning of programme resources.

64. Finally, a number of other issues need to be reviewed in the lead-up to the April 1999 funding session particularly the ways in which other funds and programmes are implementing their own funding strategies. Specifically, the Administrator is currently reviewing the extent to which the concerns of the Funds associated with UNDP are to be integrated into this new funding session and will submit specific proposals.

F. Time-frame

65. The Administrator proposes the following time-frame:

First regular session 1999 - Administrator submits proposals regarding a multi-year funding framework

Second regular session 1999 - Session on commitment to Multi-year Funding Framework

Third regular session 1999	-	The Multi-year Funding Framework: Biennial budget
Second regular session 2000	-	The results-oriented annual report
	-	Session on commitment to Multi-year Funding Framework

G. Financial implications

66. Over time, the proposals contained in the present report will become an integral part of UNDP management practices. They will replace existing tools. They will be introduced as part of an overall effort to rationalize and simplify. They should therefore not in the long term lead to increased workload. In the short term, however, a concerted effort will be required to establish the MYFF and the related reporting requirements. In particular, they will require the following identifiable additional efforts:

(a) A major communications effort to roll out the new arrangements, in particular, to country office staff. This will include intensive briefings at every opportunity, in particular at forthcoming resident representative, cluster and other meetings. This will generate concentrated travel costs during the course of 1999;

(b) A major effort at headquarters to complete the conceptualization of the necessary reports, to prepare and distribute them and to analyse the information received. The workload is foreseen to be very heavy in 1999 and to continue through the preparation of the first ROAR in April 2000. Thereafter, it should be internalized into existing management practices;

(c) A one-time effort will be required in 1999 to assemble materials for staff that will provide appropriate training manuals and guides.

67. Bearing these elements in mind, the Administrator has formulated a transitional budget request for an 18-month period starting in 1999. The Administrator seeks extrabudgetary contributions to support the activities envisaged during that period. The proposed budget amounts to $1,050,000 and is contained in the annex to the present document.

III. CONCLUDING REMARKS

68. Decision 98/23 provides UNDP with important new opportunities at a critical time for the organization. UNDP today faces a turning point. Decision 98/23 provides the basis for a new partnership in the Executive Board that can revitalize and strengthen the organization at the dawn of the millennium.

69. The Administrator is fully committed to the implementation of decision 98/23. For UNDP, the decision presents key opportunities.

70. It will contribute to a better definition of programme goals and in this connection strengthen the capacity for strategic management. Country office staff has already indicated a high interest in the potential of a results focus in this regard.

71. The new approach will provide a new and structured mechanism for identifying key results and thereby a basis for telling the UNDP story in a more compelling manner. It will also provide a stronger basis for the development of a learning organization, a key dimension to the vitality of any development agency in the future.

72. The MYFF will lead to a redefinition of budgetary expenditures and will provide for the first time a mechanism for capturing "soft" results. This is a critical dimension of UNDP work and the ability to capture this information is vital to telling the UNDP story. It will also provide an empirical basis for assessing the value to be attached to UNDP presence at the country level.

73. The new focus on results brings together many of the management innovations introduced under UNDP 2001 and will help to strengthen ongoing management reforms. It can be used to promote still further simplification and rationalization.

74. For all these reasons the Administrator is confident that UNDP will do its part in implementing the multi-year funding framework.

75. At the same time, it is critical that UNDP be provided with the strengthened funding base that is the very essence of decision 98/23. During the course of the 1990s, UNDP has systematically and continuously responded to a series of calls for reform. Through decision 94/14 and subsequent decisions, UNDP adopted a much more focused approach, one that has been implemented in practice. By decision 95/23, UNDP adopted a new incentive system in the allocation of resources. Since 1992, the Administrator has taken measures to cut the core budget in real terms by some $105 million. He has taken major steps to strengthen UNDP support to the United Nations. In November 1998, for the first time, candidates from throughout the system for resident representative/resident coordinator posts were examined by an independent firm to ensure that only the very best would be selected. In 1997, the Administrator launched UNDP 2001 with the support of the Executive Board - it represented a major initiative to realign management practices with the evolved mandate of UNDP and changes in the external environment. And now, most recently, the Administrator has committed UNDP in a major way to the implementation of decision 98/23.

76. Regrettably, voluntary contributions to UNDP have continued to decline. From a peak in 1992 of $1.18 billion, voluntary contributions to UNDP fell to just over $760 million in 1997-1998. In real terms, it is estimated that UNDP income from voluntary contributions fell by 43 per cent from 1990 to 1998. The Administrator believes that decision 98/23, coming on top of the many other thorough reforms that have been implemented, will indeed provide the basis for a new partnership between all contributing and participating members and will lead to a reversal of recent trends in core resource contributions, thus resulting in a truly sustainable funding base for UNDP.

Annex

ESTIMATED BUDGETARY REQUIREMENTS FOR THE INTRODUCTION OF THE MULTI-YEAR FUNDING FRAMEWORK (MYFF)

(JANUARY 1999 TO JUNE 2000)

Description	$
Briefings at regional/cluster and other meetings	100 000
Roll-out to country offices and workshops for country office staff	500 000
Handbooks/brochures/video guides	50 000
Advisory services	150 000
Short-term staffing and related operating costs	250 000
Total estimated requirements	1 050 000